



City of Santa Barbara
Airport Department

DATE: December 18, 2019
TO: Airport Commission
FROM: Henry Thompson, Airport Director 
SUBJECT: Fixed Base Operator (FBO) Redevelopment Project Update

RECOMMENDATION:

That Commission receive a presentation on the status of the Fixed Base Operator (FBO) Redevelopment Project.

DISCUSSION:

In 2017, the Santa Barbara City Council adopted an Airport Master Plan to help guide development at Santa Barbara Airport (SBA) for the next 15-20 years. One of the most significant development projects anticipated in the Airport Master Plan is the redevelopment of the FBO business at the Airport. The Airport Master Plan envisioned the development of two new locations in the Northeast quadrant of the airfield for two competitive Fixed Based Operators, and eliminate that activity in the Southeast corner of the airfield where FBO Atlantic Aviation currently operates. The objective of increased safety and a reduction in runway crossings was a main driver for this development approach. The Airport Master Plan illustrated a conceptual development footprint for future FBO activity based on the 2012 Aviation Forecast's projected growth.

2012 Aviation Forecast

The Airport Master Plan is a demand-based capital investment program intended to be responsive to anticipated demand for capacity and needed safety improvements. The justification for the capital projects envisioned in the Airport Master Plan was based on the Aviation Forecast completed in 2012. This forecast was developed based on 2011 operations as well as local, state, and national economic and aviation trends. The forecast addressed anticipated growth for both commercial aviation and general aviation (GA) activity.

The anticipated growth for commercial aviation was a constant market share projection of 2.1% annually which closely aligned with the 2% growth rate projected in the 2011 Terminal Area Forecast (TAF) prepared by the Federal Aviation Administration (FAA). For general aviation, the forecasted projection for growth was based upon historic operations and constant operations per based aircraft. However, the projection of 1.4%

was not closely aligned with the 2011 TAF projection of 0.7%. Rather, the Master Plan Advisory Committee recommended a higher growth rate for planning purposes to ensure sufficient space for future general aviation activity.

Recent Aviation Activity

Since the completion of the 2012 Aviation Forecast, there has been substantial change in both commercial and general aviation activity at Santa Barbara Airport. In 2015, commercial aviation activity was at its lowest level in two decades, but growth began in earnest again in 2016 with new routes and upgauged aircraft. In 2019, commercial aviation is expected to reach a record number of passengers with a projected 500,000 enplanements (i.e. passenger boardings) for the calendar year. General aviation activity has been even more volatile. Local general aviation reached a historic low in 2017, however, 2019 is expected to be the most active since 2011, as illustrated below.

Year	Enplanements	Itinerant GA Ops.	Local GA Ops.	Based Aircraft
2011	365,769	43,581	37,132	178
2012	368,031	44,057	32,191	185
2013	362,338	41,999	34,196	192
2014	344,341	44,676	32,113	198
2015	317,892	45,825	33,237	183
2016	321,971	42,678	30,898	171
2017	350,643	40,862	24,798	155
2018	385,619	42,700	27,752	151
2019*	499,680*	41,368*	36,097*	150*

*Projected for 2019

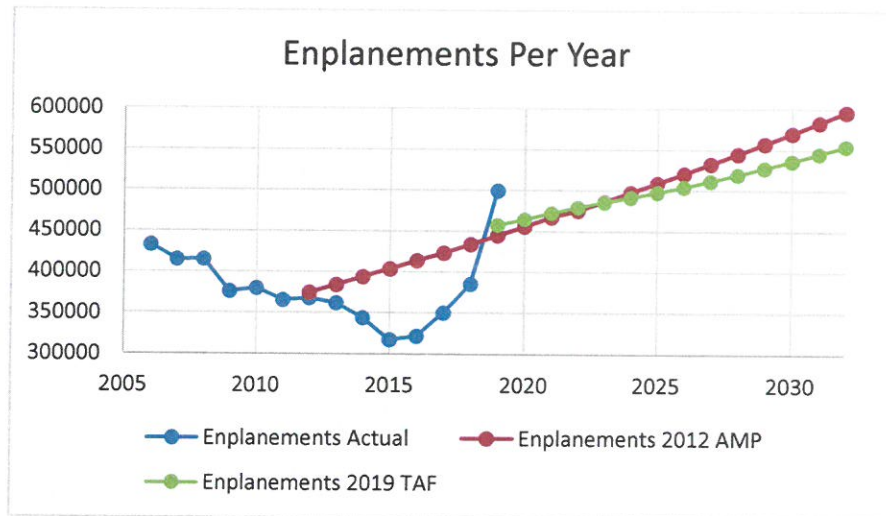
2019 Terminal Area Forecast (TAF)

The TAF is prepared by the FAA each year for the entire United States with individual breakdowns for each primary airport. While not intended to provide a necessarily accurate prediction of future activity, it provides a rational projection of anticipated growth, and it was the primary source for the 2012 Aviation Forecast for commercial enplanements. It is not likely that actual activity will match a forecasted projection, but actual activity should be expected to fluctuate along the projection trend line.

Forecast Comparison

The 2019 TAF for SBA forecasts a 1.7% per year growth rate for commercial aviation, a 0.6% growth rate for itinerant GA operations, and a 0.07% growth rate for local GA operations. All of these growth rates are lower than the 2012 Aviation Forecast rates.

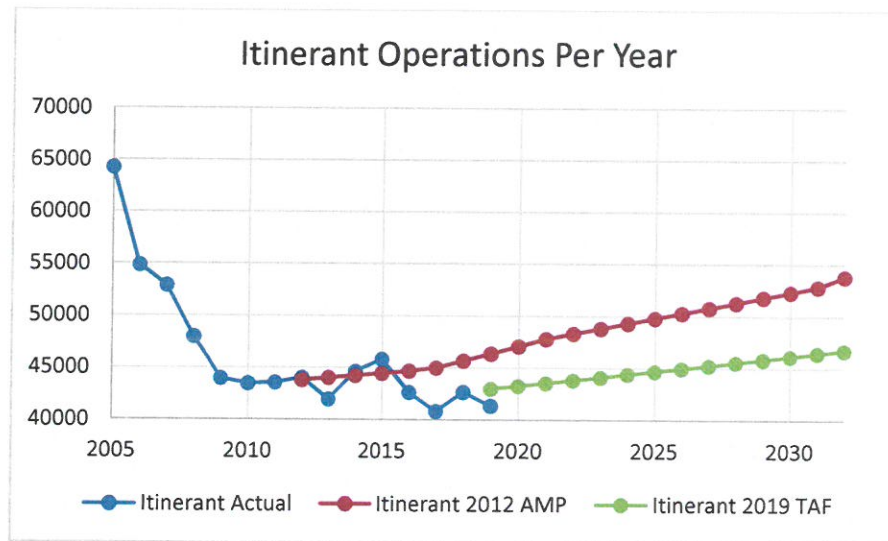
Commercial Aviation



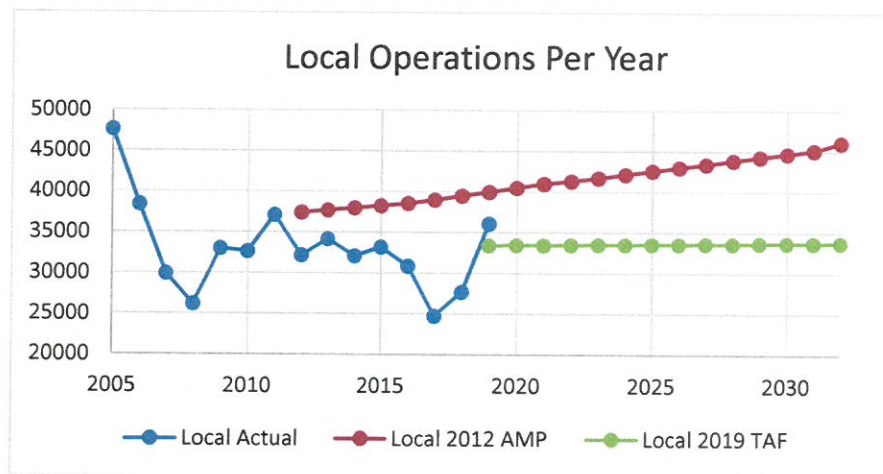
The 2012 Aviation Forecast and the 2019 TAF are in close alignment, with the TAF projecting a more conservative growth rate. The projected annual enplanements for 2019 are significantly higher than projected by both forecasts. This short-term acceleration of growth rate may necessitate the need to initiate Airport Master Plan capacity projects sooner than the 2022-2032 planning period.

General Aviation

Both the 2012 Aviation Forecast and the 2019 TAF separate general aviation into itinerant and local operations (i.e. take-offs and landings). Activity at SBA is volatile. It is not possible to identify a consistent local trend. Therefore, forecasts rely upon nationwide trends and scale them to SBA.



Itinerant general aviation operations are dominated by corporate jet operations. The FAA ties these operations closely to national economic forecasts.



Local general aviation operations are dominated by flight schools and local recreational pilots. The FAA expects local demand to remain relatively flat for the foreseeable future based largely upon orders for new small general aviation aircraft. This flat level is significantly lower than the 2012 Aviation Forecast for the Airport Master Plan.

Fixed Base Operator (FBO) Redevelopment Project

In the nearly eight years since the Aviation Forecast was completed, it has become clear that demand for general aviation services is likely to be much lower than projected. As a result, Airport staff is working to right-size the near-term FBO development sites as compared to the Airport Master Plan. The objective is to ensure

that the Airport ultimately receives financially feasible and operationally sound development proposals in response to the future Request for Proposals (RFP) process. In the Airport's initial financial analyses of possible development scenarios, it became clear that the required capital investment and day-to-day costs to operate in the Santa Barbara market for a new FBO operation will be significant. As a result, it becomes all the more critical that the development scope is sized appropriately to assure a reasonable return on investment in order to make financial sense for potential proposers.

The reduced footprint concept also avoids or postpones a number of environmental impacts, and the costs to mitigate those impacts. The Airport and/or future FBOs will need to address both current floodplain protection and projected sea level rise. However, a right-sized infield development that reduces the addition of new impervious surfaces helps avoid a number of impacts and potentially prohibitive development costs.

A draft update of the redevelopment concept currently includes two 11-acre FBO lease parcels in the Northeast quadrant of the airfield north of Taxiway C. Two similarly sized potential expansion parcels are identified to the south of Taxiway C. The two parcels contemplated for initial Phase I development would provide adequate space for FBO offices, customer air terminal, automobile parking, transient tie-down, transient hangar, and restaurant space for the next 15-20 years.

Revised FBO Leasehold Concept

The reduced footprint remains consistent with the intent of the 2017 Airport Master Plan as the initial development scope should be responsive to current and anticipated demand. The opportunity to grow the FBO footprint will remain viable in a secondary phase if future demand warrants such development. In other words, while general aviation demand does not currently support a full development of the illustrative Airport Master Plan parcels, the Airport would retain the ability to increase the leaseholds if demand increases faster than currently projected. The Airport's redevelopment consultant Leigh Fisher is continuing to refine the development requirements for all of these areas, and therefore the plan remains in a draft form subject to modification, as detailed discovery, as well as technical input is evaluated.

Redevelopment Project Progress

In August 2019, Airport staff introduced an illustration intended to simplify a very complex series of activities underway to plan for and execute an FBO industry-wide competitive RFP process. At this juncture, this process is in actuality two concurrent processes. On the one hand, work is progressing toward creating the best possible development scenario for FBOs to respond to in the RFP process. On the other hand, continuity of operations during the interim, which includes the period of time post-contract award through to commissioning of new facilities, is critical. The most cost-

effective and least operationally disruptive means of assuring this continuity is to maintain operations with current FBO operators during the interim period. Opting to continue operations with current FBOs Signature Flight Support (Signature) and Atlantic Aviation (Atlantic) is in no way indicative of any bias, positive or negative, on the part of the Airport with regard to the future RFP process.

In early October, the Airport initiated discussions – as a prelude to negotiations – about the Airport's expectations and basic ground rules for engagement regarding an interim lease period. Both operators agreed to maintain the fundamental integrity of the good faith negotiations by not discussing any iterative concepts for the interim period with any outside parties or engage in efforts to influence the outcome of these negotiations. With confidence that both Signature and Atlantic have the Airport's best interests, as well as their own, at the forefront, the Airport staff has continued with open, candid discussions about overall challenges facing the Airport.

The Airport also has engaged its consultant Leigh Fisher to assist with the design of interim leasehold configurations, aircraft parking and other space planning. Leigh Fisher also will work in concert with Airport staff and the City Attorney's office to draft new interim lease agreements.

Recent Challenges

The more recent growth in commercial aviation activity has been challenging for the Airport in terms of capacity for commercial aircraft parking. As a typical west coast airport with a significant morning bank of departures, air carriers park aircraft as "Remain Over Night" equipment (RON) at SBA in order to be positioned for the first morning departure. Typically, a RON will remain parked at a gate or ground boarding position at the Airline Terminal. In 2019, the Airport has been challenged with providing sufficient overnight parking beyond availability at the Airline Terminal. SBA has been challenged to identify as many as nine (9) RON positions for commercial aircraft. Because the Airport controls so little other ramp/apron space beyond the terminal apron, Operations staff has been forced at times to close Taxiway B to park aircraft. This is a significant inconvenience for air carriers and it has likely resulted in the loss of one important destination frequency. An air carrier may simply opt to send an aircraft to another airport for RON parking rather than endure an inconvenient operation at SBA.

As commercial operations have grown, Atlantic Aviation – with its location closest to the Airline Terminal – has been repeatedly subjected to a loss of ramp/apron space to accommodate commercial aviation expansion. And as the demand for more commercial aircraft parking space increases, again the Airport is faced with the prospect of reclaiming even more ramp space from Atlantic Aviation. As a result, the initiation of discussions with both FBOs was candid about the challenge for RON space and the limited options available to the Airport. Discussions with the FBOs are continuing with the examination of several options; all of which entail some loss of space for both FBOs.

Airport Property/Business Management Approach

In addition to the challenges of commercial air service growth for aircraft parking and other facilities, the Airport has begun evolving its approach to property management, and the management of business activities on the airfield. The beginning of this evolution began with the reversion of the NE Hangar facility to the Airport in 2018. Although mostly managed by the FBOs (with the exception the FedEx hangar), it marked the beginning of a shift in how the Airport views the responsibility for managing leased space around the airfield. Historically, the Airport has leased the vast majority of airfield adjacent space for a variety of uses to the FBOs and thus ceded much control or oversight over activities such as maintenance operations, charter bases, aircraft detailing and flight instruction to the FBOs. In the future, the Airport is in a much better position to lease airport property directly to tenants who provide services on the airfield, and where deemed appropriate, greater responsibility for property management and leasing.

Summary/Next Steps

With regard to the next steps in the redevelopment process toward issuance of the FBO RFP, Airport staff and its consultant will refine draft leasehold plans to a degree suitable for discussion at a series of community meetings that will gather, as examples, airport users, aviation and other businesses, and members of the City of Goleta Airport Advisory Committee. As the holidays are quickly approaching, it will be most productive to host these meetings in the first quarter of 2020.

The finalization of the interim lease agreements with Signature and Atlantic are on an accelerated track to be negotiated, drafted, undergone financial and legal reviews, approved by Airport Commission and City Council and executed by all parties in time to complete anticipated space transitions as the FBO leases expire at the end of May 2020.